

CHECKLIST OF COMPLIANCE ISSUES THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON THE FINANCIAL STATEMENTS

In order to identify all relevant compliance issues, the auditor should discuss existing compliance requirements with both the CEO and the legal counsel of the entity. The entity officials are primarily responsible for the identification of laws, regulations, and grant and contract obligations for which noncompliance could have a direct and material effect on the financial statements taken as a whole.

	ISSUE	TEST PERFORMED (W/P REF)
1.	Defining the reporting entity (GASB No. 14).	
2.	Establishment of Funds. (Various types of legal provisions require establishment of funds. Also, the entity should limit the number of funds used.)	
3.	Budgetary compliance and reporting.	
4.	Matching requirements (on federal and state funds).	
5.	Restrictions on expenditures. (The proceeds of certain governmental revenues are restricted by law or contract as to the purposes for which they are expended.)	
6.	Truth in taxation and property tax limitations.	
7.	Public debt limitations.	
8.	Disclosure of violations of laws and regulations.	
9.	Money Managements Act compliance and disclosure.	
10.	Purchasing requirements.	
11.	State grant/contract compliance requirements.	
12.	Federal grant/contract compliance requirements.	
13.	Payroll taxes - withholding and submitting	
14.	Other -	
15.		
16.		

Purpose: To document testwork on compliance issues considered to have a direct and material effect on the financial statements. Areas marked "NCM" are not considered to have a material effect on the financial statements. Areas marked "N/A" indicate that this requirement does not apply to this entity.

Conclusion: _____
